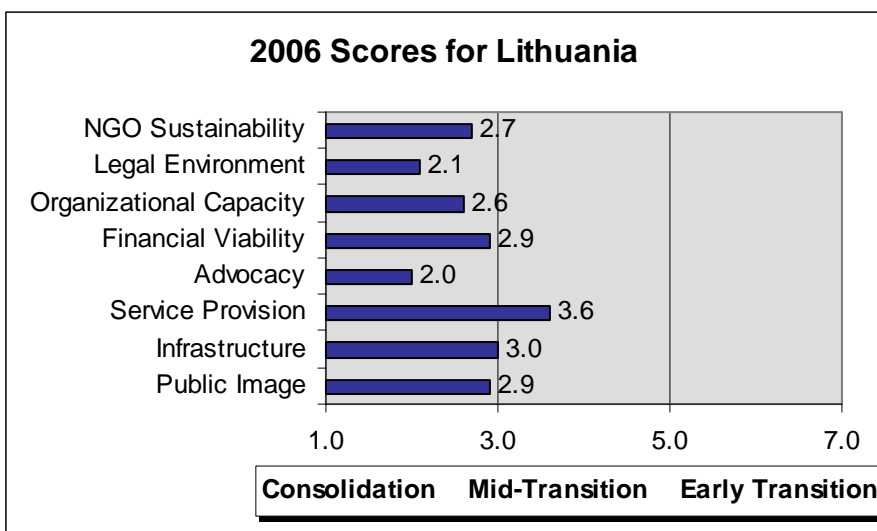


Lithuania



Capital: Vilnius

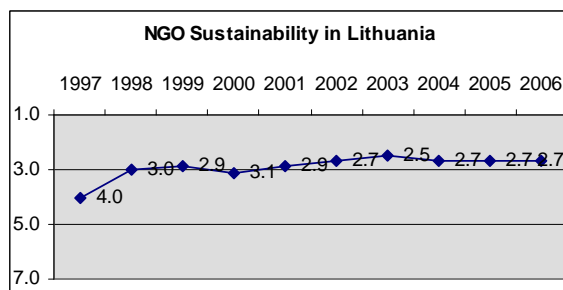
Polity: Parliamentary democracy

Population:
3,585,906

GDP per capita (PPP): \$15,100

NGO SUSTAINABILITY: 2.7

Despite the more complex legal environment, the NGO sector in Lithuania continues to consolidate and advance. The approximately 15,000 NGOs have become more visible and are increasingly supported by the public. NGOs are providing services to broader constituencies, becoming more professional, and competing successfully with other service providers.



NGOs have greater access to financial resources, mainly through government funding and European Union programs. Though the effect of the increased funding is noticeable, it is

not distributed evenly throughout the sector; youth and community organizations receiving the bulk of the support.

NGOs have strengthened their capacity; some organizations have increased their staff and are now able to manage dozens of large-budget projects. Many organizations, however, continue to struggle with two key issues: the inability to afford to hire enough staff and the lack of sufficient and stable funding that ensures their long-term viability.

The NGO sector has been strengthening their intersectoral partnerships, resulting in interesting initiatives implemented by NGOs and government agencies. Co-funding enables access to European Union funds. Association and coalition building among NGOs has increased, though the sector lacks a single institution that represents the whole sector, promote its needs, and advocate for a more favorable legal framework.

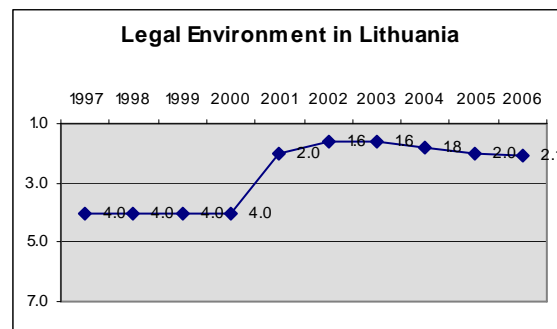
LEGAL ENVIRONMENT: 2.1

The legal framework fails to define the term “non-governmental organization.” Presumably,

an NGO is an organization established under one of three laws: the Law on Associations, the Law on Charitable Foundations, or the Law on

Public Institutions. Organizations such as homeowners' associations and condominium boards do not have NGO status in Lithuania, which skews the information available on the NGO sector. In addition, hospitals, schools and kindergartens, as well as training and consultancy companies, sports facilities and other service providers established under the Law on Public Institutions, are technically NGOs as well.

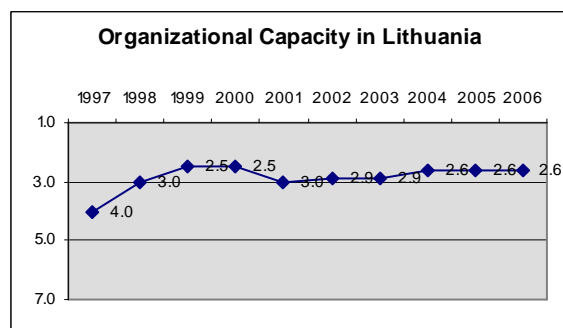
The lack of clarity does not benefit NGOs. Legislators increasingly apply the same standards to NGOs that they apply to business entities. Amendments to the Law on Profits have led to stricter accounting standards and government officials apply them equally to NGOs and businesses, making accounting for project activities more complex. NGOs are now required to maintain separate accounting for project activities and for-fee services. In 2006, the government increased the taxes levied on NGOs. In addition, NGOs began contributing to the Guaranty Fund, which provides some security for employees of businesses that go bankrupt. NGO employees, however, are unable to access the fund if the organization that they work for has to close.



The relationship between the State Tax Inspectorate remains complex, as the Nonprofit Accountancy Regulations provide insufficient guidance and explanations. The regulations, for example, require NGOs to pay VAT if the revenue they generate providing services constitutes a significant part of their overall income. NGOs are never certain how a tax inspector might interpret the requirement; similarly, interpretations by the different tax inspectors may vary.

As the legal environment becomes more complex, regional NGO resource centers employ lawyers to provide legal advice and services. The Institute of NGO Law was created this year with funding from the State Youth Department to analyze legislation and provide consultancy services to NGO, as well as for their donors and partners.

ORGANIZATIONAL CAPACITY: 2.6



Institutional support for youth and community has increased significantly, allowing such organizations to strengthen their organizational capacity. State Youth Department grants allow youth organizations to purchase modern office

equipment, such as multifunctional machines, multimedia projectors, and others. Similarly, the government-funded Regional Development Programs have provided considerable institutional support to community organizations, which are now able to pay a staff, renovate and acquire a new office, and purchase accounting software. The European Union Leader Program, which makes funds available through community initiatives, has been a strong incentive for community organizations to become service centers.

NGOs that operate on the national level, as well as those active in *seniunijos*, the lowest level of local government, have been unable to improve their working conditions, and they

maintain only minimal staff members. Due to their heavy workload, NGO staff lack time to participate in and analyze initiatives that affect the whole sector, such as the Transparency of Distributing EU Funds Initiative. Organizations with small staff are more vulnerable than in the past. The kinds of projects available are changing; donors are increasing their bureaucratic requirements, which in turn require that NGOs employ greater human resources in order to comply.

Although donors increasingly require strategic plans, many organizations continue to feel as

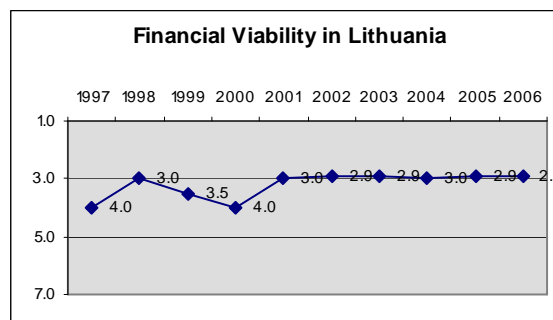
though they are unable to plan for more than six months into the future. Strategic plans are often developed carelessly for the sole purpose of complying with donor demands. Nonetheless, organizations are learning to distinguish between plans of action, business plans and strategic plans, and are making commitments to adhere to their plans. Increased efforts to build local constituencies have helped define “who is who” within an NGO and clearly define their management structure.

FINANCIAL VIABILITY: 2.9

The improving macroeconomic situation in Lithuania has increased the state budget and made funding available for needs that have not received government funding in the past. Increased budgets, as well as the partnerships and networks of community organizations and the advocacy efforts of former NGO staff that now work for the government, have resulted in new funding sources for NGOs. Community organizations now have a line item in the national budget for 3 million litas; one-half million litas have been channeled through the Ministry of Environment, while other ministries and local governments have also allocated significant funding for NGOs as well. NGOs are awarded funding through competition. Compared to the previous years, government funding has not only increased significantly, but it has become more stable and officials have better targeted the funding to specific issues.

Income from the “2%” personal income tax earmark has grown and the government has distributed it to the NGOs faster than in previous years. In 2006, 50% Lithuanians with jobs earmarked 2% of their personal income tax for NGOs, up from 35% in 2005. NGOs are more aggressive in their soliciting funds from individuals, by using collection boxes, organizing fundraising drives in public places, and requesting donations via the internet. Individual donations are still difficult to obtain, but efforts by NGOs are contributing to the development

of a culture of philanthropy. As public opinion of philanthropy improves, the levels of support from the private sector have increased. Businesses increasingly have a greater sense of social responsibility and develop better strategies for giving, and are more willing to participate in conversations regarding philanthropy.



The EU structural funds offer NGOs the opportunity to work on the national and regional levels, though only a small number of the strongest organizations have been able to access these funds. Most NGOs lack the strength to manage EU projects and are unable to secure the required co-funding. Intermediary business organizations are being created and help NGOs access EU funds and manage projects. Frequently, these services are of poor quality and create problems for NGOs. Organizations now appreciate the usefulness of fundraising professionals and seek out their services.

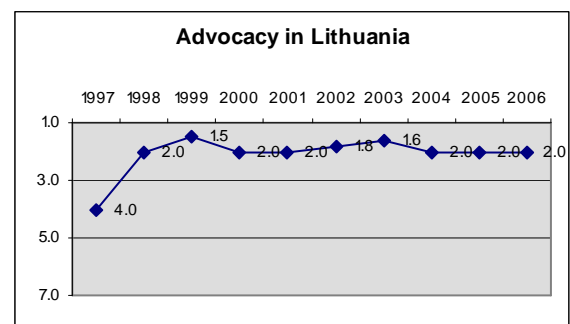
ADVOCACY: 2.0

The mechanisms for NGO participation in the national and local political process are well established and have become routine. Though they are somewhat unwelcome, NGO representatives have the right to participate in parliamentary committee meetings. National government officials also invite NGOs to be members of commissions. Due to the lack of human resources, however, NGOs are not always aware of such opportunities and do not take advantage of them.

At the national level, NGOs have become more professional in their advocacy activities, and advocacy has become the province of several of the more active organizations. Similarly, NGO participation at the municipal level has increased and community organization representatives are members of municipal commissions. Where they are present, regional NGO centers, NGO umbrella organizations, associations, and coalitions actively participate in decision-making and advocacy on behalf of the entire sector. Kaunas, for example, is the second largest city of Lithuania and has an NGO and Municipality Coordination Council, which presents NGO issues to local policymakers.

NGOs are increasingly partnering with local governments to implement different programs. In Kaunas, NGOs support the implementation of eight such programs in fields such as social services, public order, forming the region's image, and others. In Alytus, NGOs and local officials prepared for ten European Union INTEREG projects, which are special projects

for the EU border regions. In addition, NGOs increasingly undertake joint initiatives with the national government. For example, three national organizations have partnered with three ministries and all 60 municipal governments in Lithuania implement the Food for the Most Impoverished Population from EU Intervention Stocks Program; several NGOs joined the Tax Inspectorate in a country-wide anti-corruption campaign.



Successful NGO advocacy campaigns include a transparency initiative urging national administrators of EU funds to publicize the beneficiaries of EU support, an initiative to improve the system of graduation exams for youth, and an initiative to require perpetrators of domestic violence to keep away from their victims. Many NGO advocacy campaigns and political lobbying efforts would be more effective if they were more professional. Government officials often complain about the quality of submissions and communications from NGOs.

SERVICE PROVISION: 3.6

The growing number of NGOs paying VAT indicates that service provision has become an important source of revenue for NGOs; by law NGOs pay VAT on their profit from income over LT 100,000 (US \$ --). Though precise data is unavailable, more than half of Lithuania's NGOs provide paid services, and more than 30% of the sector's budget is income from

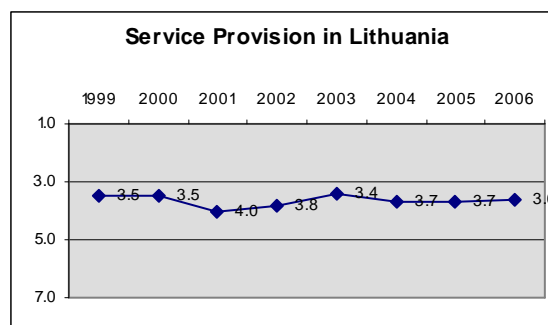
service provision. NGOs are becoming recognized for providing professional services in areas such as environmental protection and regional development, as well as management of large-scale projects funded by the European Union. Some basic social services, such as children's day care centers, training for marginalized social groups, and organizing

cultural events, are now provided exclusively by NGOs.

The practice of purchasing services by local and national governments is stable. Similarly, municipalities have clearly defined procedures and standards for procuring services. At the national level, government contracting is regulated by law and criteria include the quality of the proposal as well as the cost of the project. By procuring services, the government has established uniform criteria and does not offer any special consideration for NGOs. Non-profits successfully compete for contracts on equal grounds with businesses.

Well-known local organizations have long-term social partnership agreements with municipalities. Caritas, for example, provides social care for the elderly in several municipalities around the country, and the Children's Crisis Center in Klaipeda has a long-

term contract for social work with families at risk.



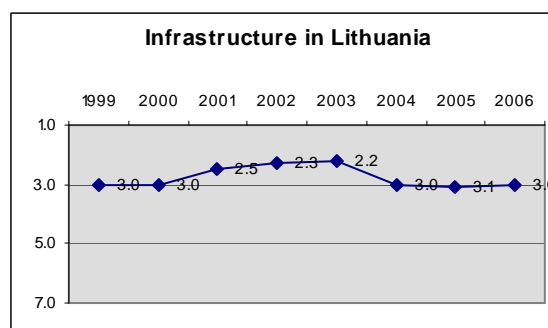
Individuals are also willing to buy services from NGOs, especially in the areas of culture, sports, and healthy lifestyles. Service providers have reached out to potential constituencies beyond their own membership base. The value that NGOs add to social services has earned them the respect of their communities.

INFRASTRUCTURE: 3.0

Lithuanian NGOs are becoming stronger and there is less need for services previously provided by NGO resource centers and other intermediary support organizations. NGOs no longer require incubators, as the lack of office space and computer access are no longer issues. The demand for basic NGO management training has decreased and NGO resource centers are shifting their focus to consulting on specific issues such as commenting on draft laws and organizing events. As more information is available on the internet, the demand for NGO training has decreased. Organizations, however, continue to request training in a number of areas, such as nonprofit law and accounting. There is also a need for specialized NGO literature in the Lithuanian language.

While regional NGO resource centers increasingly represent NGOs at the municipal level, no single institution or organizations is able to represent the entire sector or promote its needs. The absence of such an entity impedes the coordination and dissemination of information across the sector. NGOs are

therefore their own devices and do not get efficient support. NGOs increasingly understand the need to share information, consolidate actions and promote common interests, which has led to the development of more NGO associations, coalitions, and networks. Youth organizations have the strongest associations and the Network of Anti-Poverty NGOs, which now operates nationwide. Local communities are now creating regional coalitions.



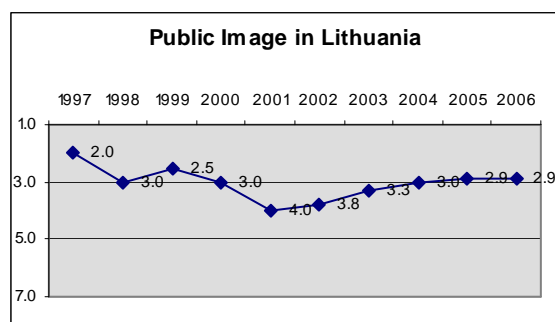
Intersectoral partnerships are stronger and more diverse, especially between NGOs and government institutions. Transparency

International and the Special Investigations Service, as well as NGOs and the Tax Inspectorate, are also networks worth recognizing. Local community foundations are

working closely with businesses, enabling them to raise more money and distribute more grants.

PUBLIC IMAGE: 2.9

Several highly visible human rights and transparency initiatives carried out by NGOs have exposed corruption within the Lithuanian media. Instead of supporting NGOs in their fight for justice, some major daily newspapers supported the business interests and attacked NGOs and their donors. The NGO sector's campaign to defend itself, however, was successful and the public became involved and support for NGO activities grew. The media played a role in supporting NGO activities. Popular television shows air public fundraising campaigns soliciting donations for charitable purposes, and contribute to building a culture of philanthropy and a positive perception of NGOs.



There are indications that public awareness of NGOs is changing. The new generation has a stronger sense of community and a greater willingness to support NGOs. A recent survey that assesses the public's attitude towards the 2% personal income tax earmark found that overall support for NGOs increased. The survey was designed to determine the percentage of citizens that allocate 2% of their tax to NGOs, and solicit suggestions on how to improve the law. The survey found that the

level of 2% earmarks rose, suggesting that the public has more trust in and awareness of local organizations. Twenty-three percent of respondents to the surveyed that were employed allocated 2% of their income all three years that the program has been in place. Over 40% of those surveyed claimed that the support NGOs: public organizations received 25% of the support, religious organizations 9%, charity and support organizations 6%, and associations 2%. One-third of employed respondents provided suggestions on how to improve the law created the 2% mechanism; many suggested limiting access to the fund to NGOs community-based organizations, and religious organizations.

NGOs encourage positive attitudes by operating in a transparent manner. Organizations are discussing the development of a Youth NGO Code of Ethics, Quality Standard for Youth NGOs, and an NGO transparency Charter. NGOs that sign the charter commit themselves to making their funding sources public and undergo regular audits.

Despite the nascent movement toward NGO self-regulation and attention to public image, the sector has yet to invest sufficient resources into public relations. The majority of organizations has poorly designed websites and fails to publish even the most membership data, revenue sources, and other kinds of information.

Finally, the unclear definition of "non-governmental organization" in the laws governing NGOs continues to inhibit the public's understanding of what an NGO is.